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SPEECH BY MR S ISWARAN, MINISTER, PRIME MINISTER'S OFFICE AND SECOND MINISTER FOR HOME AFFAIRS AND TRADE & INDUSTRY AT THE PAN INDIAN INSTITUTE OF TECHNOLOGY (PANIIT) ASIA PACIFIC CONFERENCE, ON FRIDAY, 6 APRIL 2012, 1420 HRS AT THE RITZ-CARLTON HOTEL

Mr S R Nathan, 6th President of Singapore and Patron of Pan IIT APAC 2012

Mr Amrit Barman, President, Indian Institute of Technology Alumni Association Singapore (IITAAS)

Mr Shashi Tharoor, Member of Parliament, India

Your Excellencies, Distinguished guests, Ladies and gentlemen,

Good afternoon to all of you.

Introduction

1. I am pleased to join you this afternoon at the Indian Institute of Technology (IIT)'s Asia Pacific conference. I would like to commend and congratulate the Global Pan IIT organisation and the IIT Alumni Association in Singapore on this initiative. I am particularly heartened that you have chosen Singapore to host your first ever conference held outside India and the US.

2. The Indian Institutes of Technology (IITs) have produced many outstanding and distinguished graduates. Mr N.R. Narayana Murthy (Co-Founder and Former Chairman of Infosys), Mr Vinod Khosla (Co-Founder of Sun Microsystems), and Mr Arun Sarin (Former CEO of Vodafone) are some of the IIT alumni members around the world who have made their mark.

3. Notable IIT alumni in Singapore include Professor Raj Shrivastava (Vice-President of Singapore Management University), Mr Balwant Jain (Co-Founder of Optimum Solutions), and Mr Harish Nim (Founder of Emerio Corporation), have made significant contributions to Singapore, particularly in the finance and banking, information technology, electronics and education sectors.

Emerging Asian Economies Driving Growth in Asia Pacific Region

4. The venue and timing of this gathering is apposite. Approximately 1,000 IIT graduates work and live in Singapore. This is one of the largest groups of IIT graduates outside of India. This concentration of IIT graduates in Singapore, and in Asia, reflects more generally a fundamental shift in the global economic centre of gravity from the west to the east. This shift was accelerated by the global financial crisis of 2009, with developing Asian economies such as China and India playing a key role in sustaining global economic growth during that period of turbulence, and leading the way in economic recovery.

5. While we remain sanguine about the prospects for Asian economic growth, we must equally remain vigilant towards the downside risks - rising energy costs and price shocks from problems in the Middle East; the Eurozone sovereign debt crisis may escalate if fundamental fiscal challenges remain unresolved; China's growth is moderating; and inflation continues to pose a significant threat to India and other parts of Asia. These events may have a serious impact on major Asian economies and their main trade partners.

6. We must also take cognizance of Asia's evolving economic value proposition. As manpower costs increase, energy prices rise, and western currencies weaken in relative terms, some Asian economies are losing their value proposition as a low-cost manufacturing centre for global markets. For example, some suppliers in China, Vietnam, Malaysia and Thailand have started transferring traditional labour-intensive low-end manufacturing operations to less-developed neighbouring countries. In this regard, Asian economies have to move away from their dependence on the low-cost manufacturing business model.

7. In its stead, Asia is emerging as an important end market in its own right – as a key source of differentiated end consumer demand. There are two trends in particular that underpin this transformation.

8. The first is urbanisation. Asia is urbanising at an unprecedented rate. By 2025, 16 out of 27 megacities in the world are expected to be in Asia. By 2050, more than two-thirds of the population in the Asia-Pacific will be urban dwellers. This underlying trend will generate huge demand for infrastructure and urban solutions such as roads, water and electricity supply, railway and port services.

9. The second is the growing middle class and its propensity and capacity to consume. According to a study by the Organisation for Economic Co-operation and Development (OECD) in 2010, the global middle class will increase from 1.8 billion in 2009 to 4.9 billion in 2030 – 85% of that growth is expected to come from Asia. Globally, middle class demand is projected to grow from US\$21 trillion to US\$56 trillion over the same period. Again, more than 80 per cent of that growth in middle class spending will come from Asia.

10. This rise in Asian consumerism presents valuable business opportunities for healthcare, consumer product and lifestyle businesses. It demonstrates a compelling value proposition for products and services that are conceived and customised with the Asian consumer in mind. It highlights the need for a more sophisticated and nuanced understanding of the variegated Asian market. It underscores the need to be in close proximity to this large and evolving consumer group. In short, it makes the case for businesses to be “in Asia, for Asia”.

Next Stage of Asia’s Growth: Moving up the Value Chain

11. Hence, Asian economies need to be able to move on to higher value-added economic activities in order to sustain their economic growth. They will also need to leverage on design, technology and a skilled labour force to create products and services for their own domestic markets, as much as for the rest of the world.

12. Innovation is a key source of competitive advantage in a higher value-added economy. The United Nations World Intellectual Property Organisation (UN WIPO) reported last year that China has overtaken Japan to become the world’s second biggest spender on industrial R&D, trailing only the US. Going forward, we can expect more developing Asian economies place greater emphasis on R&D as well.

13. In Singapore, investment in R&D has sown the seeds of success in several of Singapore’s industry sectors. As part of our Research, Innovation and Enterprise 2015 (RIE2015) plan, the Singapore government will inject \$16 billion into our R&D spending over the next 5 years. This funding will help us to enhance our R&D ecosystem, so that we can continue to attract and develop talent to meet the needs of our industry and public research institutions. It will also help us upgrade our capabilities in existing industries, and catalyse the growth of new areas such as Clean Technology, Energy and Medical

Technology. For instance, R&D in biomedical sciences has catalysed a new biologics cluster and played a critical role in attracting investments to Singapore. Existing clusters like electronics have been transformed moving from assembly activities, to components and later to advanced manufacturing equipment.

14. Technology and R&D can also help to ensure energy and environmental sustainability amidst Asia's rapid development. As governments seek alternative sources of energy to meet industrial needs or for diversification purposes, companies in Asia must also actively source for innovative solutions to enhance energy efficiency, so that they can operate within energy and carbon constraints.

15. Developing a skilled workforce is an essential complement to this effort. As IIT alumni, you will well appreciate this. Access to talent and skilled labour is one of the key considerations for companies when deciding where to locate their higher value-added activities. In order to attract and sustain such clusters or activities, developing Asia economies will need to groom a workforce that possesses the requisite capabilities and skill sets.

16. In this regard, Governments should encourage the establishment of avenues for continuing education and industry upgrading so that workers have the opportunity to acquire deeper skills and knowledge, and be well prepared to advance their career.

Singapore Continues to Support Growth in the Asia-Pacific region

17. Singapore continues to be plugged into Asia's growth as a valuable partner for investors and companies that look to venture into Asia, and for Asian companies that are looking to move up the value chain or target overseas markets. We have done in several ways.

18. Connectivity has been one key thrust. In Singapore, we understand that access to markets and transportation links are critical to business success, and therefore invest heavily to enhance our physical connectivity. Changi Airport serves more than 86 international airlines which connect to nearly 200 cities in 60 countries.

19. Beyond physical connectivity, Singapore also offers greater economic links to other markets through the 18 Free Trade Agreements (FTAs) that we are committed to. These FTAs link us to major economies around the world, including key Asia-Pacific economies such as China, India and the US. They

reduce tariffs and regulatory hurdles for Singapore-based companies and investors seeking entry into these markets, making it easier to do business and for goods, services and capital to flow across borders.

20. We seek to complement this economic connectivity with a rich corporate ecosystem of global, regional and local companies in Singapore, with many who have located their Asian, if not global headquarters here. Our Global-Asia Hub strategy builds on a foundation to attract global companies and Asian enterprises to see Singapore as a nexus to both developed and emerging markets. Today, with growth opportunities spanning across Asia beyond China and India, our strategy resonates even more strongly with global investors who are looking for a strategic yet neutral location to manage and drive pan-Asian business growth. The Institute of Asia Consumer Insight which focuses on understanding Asian consumer behavior was established jointly by EDB and NTU and launched in July last year. For Asian enterprises, the geographic, cultural and corporate proximity that Singapore offers is ideal for setting up key business activities.

Collaboration between Contact Singapore and IITAAS

21. These key points - technology as a foundation for value creation, connectivity across markets, and the importance of skilled manpower – will certainly resonate with IIT alumni like you. Your institutes are founded on technology; the IIT diaspora epitomises the kind of global connectivity we talk about; and your graduates and alumni are a rich pool of highly skilled professionals who can underpin the next phase of knowledge driven growth in Asia.

22. They are also common reference points between IIT and Singapore, and why many IIT graduates continue to choose Singapore. IITAAS' presence in Singapore has helped strengthen our efforts to attract IIT graduates to work in Singapore.

23. Under the Experience@Singapore programme administered by Contact Singapore, IIT students can undergo immersion or internship programmes to experience working and living in Singapore. Over 20 students have benefitted from the programmes so far. We hope that this number will continue to grow, and that over time, we can cultivate a network of IIT graduates who will tap into opportunities that Singapore has to offer. At the university level, we have built extensive linkages with other institutes of higher learning (IHLs) in other countries. For instance, our universities have signed 26 Memoranda of Understanding

(MOUs) with the IITs and other IHLs in India. Joint programmes at the Masters and Doctoral levels are also offered by Singapore universities and their counterparts in India to cultivate a group of students with deeper connection to Singapore and our industries.

24. I am pleased to recognise the renewal of the Memorandum of Understanding (MoU) between Contact Singapore and IITAAS in January this year. It reinforces the close partnership between the two organisations to promote Singapore as a talent destination for IIT students and graduates.

Conclusion

25. In summary, the growth potential of the Asia Pacific region is good, as developing Asian economies will continue to lead the region's economic growth by moving on to higher value-adding economic activities. Asia Pacific economies are well-positioned to tap on the growth of Asia; and Singapore, with our highly qualified workforce, strong base of knowledge and research-intensive industries and excellent economic connectivity, looks forward to play a key role in advancing trade and industrial growth in the Asia Pacific region.

26. In conclusion, I hope that the discussions over the next few days will be insightful, and will serve to highlight opportunities for collaboration. Thank you.

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